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**ECONOMIC
INVESTMENT
TRUST
LIMITED**

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ANNUAL REPORT
December 31, 1966

Board of Directors

A. BRUCE MATTHEWS, C.B.E., D.S.O.
Chairman of the Board
Chairman, The Excelsior Life Insurance Co.

R. C. BERKINSHAW, C.B.E., LL.D.
Director
The Goodyear Tire & Rubber
Co. of Canada Ltd.

FREDERICK W. P. JONES
Professor
School of Business Administration
University of Western Ontario

GRAHAM MORROW, O.B.E.
Director
Imperial Life Assurance
Co. of Canada

H. N. R. JACKMAN
Director
Dominion and Anglo
Investment Corporation

LAWRENCE W. SKEY, D.F.C.
Director and Treasurer
Scudder International
Investments Ltd.

Officers

A. BRUCE MATTHEWS
Chairman

LAWRENCE W. SKEY
Managing Director

ROBERT W. INGLIS, C.A.
Secretary-Treasurer

Head Office.....11 ADELAIDE STREET WEST, TORONTO, ONTARIO
Shares Listed.....TORONTO STOCK EXCHANGE
Bankers.....CANADIAN IMPERIAL BANK OF COMMERCE
Auditors.....CLARKSON, GORDON & CO.
Transfer Agent and Registrar.....CANADA PERMANENT TRUST COMPANY

DIRECTORS' REPORT TO THE SHAREHOLDERS

To be presented at the 40th Annual Meeting of the Trust on the 27th February, 1967.

EARNINGS AND NET ASSET VALUE

Gross revenue of the Trust reached \$800,000 in 1966, an increase of \$38,000 over 1965. After expenses, provision for income taxes and payment of the preferred dividend of \$250,000, net income available for common shareholders was \$487,222 or 47 cents per share. This represents a modest increase over the 1965 earnings of 44 cents per common share. The dividend on the common stock was unchanged at 40 cents per share.

In common with security prices generally the net asset value of the Trust's common shares declined during 1966. The net asset value per common share was \$13.91 at December 31, 1966 compared with \$16.12 at the close of 1965. Since the end of 1966 a marked improvement in share prices has occurred and by the last week of January 1967 net asset value per share had reached an estimated figure of \$15.05.

CANADIAN OWNERSHIP OF COMMON SHARES

During recent years a trend towards a larger share of ownership of your Trust's stock by Canadians has become evident. Whereas a few years ago the majority of your Trust's shares were held by non-residents or corporations controlled by non-residents, it is now apparent that well in excess of 50% of your Trust's shares are held by Canadians. All of the outstanding preferred shares are held by Canadian addressees.

REVIEW AND OUTLOOK

Additional taxes, wage increases, work stoppages and credit restraint all contributed to increased prices and a degree of uncertainty about near term economic prospects in North America. Stock prices reflected this concern during mid-1966. At one point the Dow-Jones industrial averages had declined more than 25% from the high of February, 1966. Early in 1967 there was some improvement in security prices but narrowing profit margins and a decline in earnings are evident in the year end figures of some corporations. While the rate of increase in capital expenditure, both private and public, has been moderated, it will still be in excess of the 1966 figure. The continuing demand for capital, coupled with some signs of easier credit, suggests a further expansion in most sectors of the Canadian economy. At this early date it is difficult to see earnings keeping pace with growth.

DIRECTORS

Mr. W. A. Arbuckle, C.A., tendered his resignation during 1966 after 13 years of service as a Director. Your Directors wish to record their appreciation of Mr. Arbuckle's counsel and guidance during a period of great activity and growth on the part of the Trust. Mr. H. N. R. Jackman was elected a Director of the Trust to complete Mr. Arbuckle's term.

Directors retiring at the forthcoming Annual Meeting in accordance with the By-laws are Major-General A. B. Matthews, Dr. R. C. Berkinshaw and Mr. H. N. R. Jackman. They are eligible for re-election.

On behalf of the Board,

Toronto, Canada
February 10, 1967.

A. BRUCE MATTHEWS,
Chairman.

ECONOMIC INVESTMENT TRUST LIMITED

(Incorporated under the laws of Canada)

BALANCE SHEET

As at December 31, 1966

ASSETS		1966	1965
Investments at market values		\$19,663,200	\$21,953,073
(Cost—1966—\$15,939,418; 1965—\$15,464,718)			
Due from brokers for securities sold		42,924	
		<u>\$19,706,124</u>	<u>\$21,953,073</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
		1966	1965
Liabilities:			
Due to bank	\$	67,897	\$ 15,662
Due to brokers for securities purchased		16,866	30,680
Accounts payable and accrued charges		3,144	6,635
Income taxes payable		5,111	2,361
		<u>93,018</u>	<u>55,338</u>
Shareholders' equity:			
Share Capital—			
Authorized:			
200,000 preferred shares of \$50 par value			
2,500,000 common shares of no par value			
Issued:			
100,000 5% cumulative preferred shares Series A, redeemable at \$52.50		5,000,000	5,000,000
1,032,940 common shares		4,116,691	4,116,691
Surplus—			
Capital surplus		559,579	559,579
Earned surplus		440,641	366,595
Accumulated surplus on sale of investments		5,772,413	5,366,515
Unrealized appreciation of investments		3,723,782	6,488,355
Total shareholders' equity		<u>19,613,106</u>	<u>21,897,735</u>
		<u>\$19,706,124</u>	<u>\$21,953,073</u>

On behalf of the Board:

A. BRUCE MATTHEWS, Director

LAWRENCE W. SKEY, Director

STATEMENT OF REVENUE AND EXPENSES

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STATEMENT OF EARNED SURPLUS

	1966	1965
1. Total population	10,780,000	10,780,000
2. Population aged 15 years and over	8,200,000	8,200,000
3. Population aged 15 years and over who are employed or self-employed	4,500,000	4,500,000
4. Population aged 15 years and over who are unemployed	3,700,000	3,700,000
5. Population aged 15 years and over who are retired	1,000,000	1,000,000
6. Population aged 15 years and over who are students	500,000	500,000
7. Population aged 15 years and over who are married	4,000,000	4,000,000
8. Population aged 15 years and over who are single	4,200,000	4,200,000
9. Population aged 15 years and over who are widowed	1,000,000	1,000,000
10. Population aged 15 years and over who are divorced	500,000	500,000
11. Population aged 15 years and over who are cohabiting	500,000	500,000
12. Population aged 15 years and over who are living alone	1,000,000	1,000,000
13. Population aged 15 years and over who are living with family	7,200,000	7,200,000
14. Population aged 15 years and over who are living with friends	1,000,000	1,000,000
15. Population aged 15 years and over who are living in institutions	500,000	500,000
16. Population aged 15 years and over who are living in other arrangements	500,000	500,000
17. Population aged 15 years and over who are living in private rented accommodation	1,000,000	1,000,000
18. Population aged 15 years and over who are living in council housing	1,000,000	1,000,000
19. Population aged 15 years and over who are living in owner-occupied housing	5,200,000	5,200,000
20. Population aged 15 years and over who are living in shared ownership housing	500,000	500,000
21. Population aged 15 years and over who are living in other types of housing	500,000	500,000
22. Population aged 15 years and over who are living in temporary accommodation	500,000	500,000
23. Population aged 15 years and over who are living in long-term care	500,000	500,000
24. Population aged 15 years and over who are living in residential care	500,000	500,000
25. Population aged 15 years and over who are living in nursing homes	500,000	500,000
26. Population aged 15 years and over who are living in hostels	500,000	500,000
27. Population aged 15 years and over who are living in other types of care	500,000	500,000
28. Population aged 15 years and over who are living in their own home	5,200,000	5,200,000
29. Population aged 15 years and over who are living in a flat or maisonette	500,000	500,000
30. Population aged 15 years and over who are living in a house	4,700,000	4,700,000
31. Population aged 15 years and over who are living in a bungalow	500,000	500,000
32. Population aged 15 years and over who are living in a mobile home	500,000	500,000
33. Population aged 15 years and over who are living in a caravan	500,000	500,000
34. Population aged 15 years and over who are living in a holiday home	500,000	500,000
35. Population aged 15 years and over who are living in a second home	500,000	500,000
36. Population aged 15 years and over who are living in a temporary residence	500,000	500,000
37. Population aged 15 years and over who are living in a long-term care facility	500,000	500,000
38. Population aged 15 years and over who are living in a residential care home	500,000	500,000
39. Population aged 15 years and over who are living in a nursing home	500,000	500,000
40. Population aged 15 years and over who are living in a hostel	500,000	500,000
41. Population aged 15 years and over who are living in other types of care	500,000	500,000
42. Population aged 15 years and over who are living in their own home	5,200,000	5,200,000
43. Population aged 15 years and over who are living in a flat or maisonette	500,000	500,000
44. Population aged 15 years and over who are living in a house	4,700,000	4,700,000
45. Population aged 15 years and over who are living in a bungalow	500,000	500,000
46. Population aged 15 years and over who are living in a mobile home	500,000	500,000
47. Population aged 15 years and over who are living in a caravan	500,000	500,000
48. Population aged 15 years and over who are living in a holiday home	500,000	500,000
49. Population aged 15 years and over who are living in a second home	500,000	500,000
50. Population aged 15 years and over who are living in a temporary residence	500,000	500,000
51. Population aged 15 years and over who are living in a long-term care facility	500,000	500,000
52. Population aged 15 years and over who are living in a residential care home	500,000	500,000
53. Population aged 15 years and over who are living in a nursing home	500,000	500,000
54. Population aged 15 years and over who are living in a hostel	500,000	500,000
55. Population aged 15 years and over who are living in other types of care	500,000	500,000
56. Population aged 15 years and over who are living in their own home	5,200,000	5,200,000
57. Population aged 15 years and over who are living in a flat or maisonette	500,000	500,000
58. Population aged 15 years and over who are living in a house	4,700,000	4,700,000
59. Population aged 15 years and over who are living in a bungalow	500,000	500,000
60. Population aged 15 years and over who are living in a mobile home	500,000	500,000
61. Population aged 15 years and over who are living in a caravan	500,000	500,000
62. Population aged 15 years and over who are living in a holiday home	500,000	500,000
63. Population aged 15 years and over who are living in a second home	500,000	500,000
64. Population aged 15 years and over who are living in a temporary residence	500,000	500,000
65. Population aged 15 years and over who are living in a long-term care facility	500,000	500,000
66. Population aged 15 years and over who are living in a residential care home	500,000	500,000
67. Population aged 15 years and over who are living in a nursing home	500,000	500,000
68. Population aged 15 years and over who are living in a hostel	500,000	500,000
69. Population aged 15 years and over who are living in other types of care	500,000	500,000
70. Population aged 15 years and over who are living in their own home	5,200,000	5,200,000
71. Population aged 15 years and over who are living in a flat or maisonette	500,000	500,000
72. Population aged 15 years and over who are living in a house	4,700,000	4,700,000
73. Population aged 15 years and over who are living in a bungalow	500,000	500,000
74. Population aged 15 years and over who are living in a mobile home	500,000	500,000
75. Population aged 15 years and over who are living in a caravan	500,000	500,000
76. Population aged 15 years and over who are living in a holiday home	500,000	500,000

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ECONOMIC INVESTMENT TRUST LIMITED

STATEMENT OF ACCUMULATED SURPLUS ON SALE OF INVESTMENTS

For the year ended December 31, 1966

	1966	1965
Balance at beginning of year	\$ 5,366,515	\$ 4,818,368
Net surplus on securities sold	405,898	548,147
Balance at end of year	<u>\$ 5,772,413</u>	<u>\$ 5,366,515</u>

STATEMENT OF UNREALIZED APPRECIATION OF INVESTMENTS

For the year ended December 31, 1966

	1966	1965
Balance at beginning of year	\$ 6,488,355	\$ 6,138,447
Net increase or (decrease) for year	(2,764,573)	349,908
Balance at end of year	<u>\$ 3,723,782</u>	<u>\$ 6,488,355</u>

AUDITORS' REPORT

To the Shareholders of Economic Investment Trust Limited:

We have examined the balance sheet of Economic Investment Trust Limited as at December 31, 1966, and the statements of revenue and expenses, earned surplus, accumulated surplus on sale of investments and unrealized appreciation of investments for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the statements mentioned above present fairly the financial position of the company as at December 31, 1966, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 16, 1967.

CLARKSON, GORDON & CO.,
Chartered Accountants.

ECONOMIC INVESTMENT TRUST LIMITED

PORTFOLIO AS AT DECEMBER 31, 1966

BONDS AND DEBENTURES (2.74% of net assets)

	<u>Par Value</u>	<u>Market Value</u>
Canadian Equity and Development Company Limited		
6½ % Sinking Fund Debentures due February 15, 1991 ex stock	\$ 300,000	\$ 249,000
General Electric Overseas Capital Corp. 4¼ % Convertible Bonds		
due December 1, 1985	200,000	206,280
Western Decalta Petroleum Ltd. 6% Sinking Fund Debentures		
due June 1, 1985, ex warrants	100,000	82,000
	<u>\$ 600,000</u>	<u>\$ 537,280</u>

COMMON AND CONVERTIBLE PREFERRED SHARES (97.52% of net assets)

	<u>Number of Shares</u>	<u>Market Value</u>
BANKS (10.10% of net assets)		
Bank of Montreal	7,000	\$ 370,125
Bank of Nova Scotia	7,000	448,000
Canadian Imperial Bank of Commerce	5,500	319,000
Montreal City & District Savings Bank	2,000	24,000
Royal Bank of Canada	5,700	393,300
Toronto-Dominion Bank	7,500	427,500
		<u>\$ 1,981,925</u>

ENTERTAINMENT (5.54% of net assets)

Famous Players Canadian Corp. Ltd.	10,000	\$ 335,000
Maple Leaf Gardens Ltd.	12,000	312,000
Standard Radio Ltd.	20,000	440,000
		<u>\$ 1,087,000</u>

COMMON STOCKS (Continued)

	Number of Shares	Market Value
FINANCIAL (3.64% of net assets)		
Argus Corporation Ltd. Class "C" Participating Pref.	30,000	\$ 330,000
Canada Permanent Mortgage Corp.	27,350	273,500
Industrial Acceptance Corp. Ltd.	2,700	56,700
Traders Group Limited 5% Series "A" Conv. Pref.	2,700	54,000
		<u>\$ 714,200</u>
FOOD AND BEVERAGE (9.44% of net assets)		
Bright & Co. Ltd., T. G.	3,500	\$ 224,000
Distillers Corp.-Seagrams Ltd.	16,000	534,000
Federal Grain Ltd.	50,000	306,250
General Bakeries Ltd.	15,000	93,750
Growers' Wine Co. Ltd., Class "B"	15,000	51,000
Maple Leaf Mills Ltd.	4,000	68,000
Walker-Gooderham & Worts Ltd., Hiram	20,000	575,000
		<u>\$ 1,852,000</u>
GENERAL MANUFACTURING (11.45% of net assets)		
Avco Corporation	10,000	\$ 236,250
British-American Bank Note Co. Ltd.	3,850	257,950
Carrier Corporation	3,000	251,100
Corning Glass Works	500	166,860
Hand Chemical Industries Ltd. Cum. Conv. Class "A"	8,000	64,000
Harding Carpets Ltd., Class "A"	10,000	310,000
International Business Machines Corporation	1,000	402,840
Moore Corporation Ltd.	6,000	519,000
Syntex Corporation	500	38,407
		<u>\$ 2,246,407</u>
HEAVY INDUSTRY (6.64% of net assets)		
Algoma Steel Corp. Ltd.	14,000	\$ 311,500
Caterpillar Tractor Co.	2,000	75,600
Dominion Foundries & Steel Ltd.	20,000	365,000
Slater Steel Industries Limited	25,000	250,000
Steel Co. of Canada Ltd.	15,000	300,000
		<u>\$ 1,302,100</u>

COMMON STOCKS (Continued)

	Number of Shares	Market Value
MERCHANDISING (1.83% of net assets)		
Dominion Stores Limited	10,000	\$ 182,500
Tamblyn Limited, G.	7,030	175,750
		<u>\$ 358,250</u>
METALS AND MINING (15.50% of net assets)		
Asbestos Corporation Ltd.	5,000	\$ 101,250
Denison Mines Ltd.	12,000	678,000
Dome Mines Ltd.	4,000	188,000
Hollinger Consolidated Gold Mines Ltd.	15,000	333,750
Hudson Bay Mining & Smelting Co. Ltd.	10,000	638,750
International Nickel Co. of Canada Ltd.	8,000	759,000
Quemont Mining Corp. Ltd.	20,000	194,000
Roman Corporation Ltd.	10,000	147,500
		<u>\$ 3,040,250</u>
PAPER AND FOREST PRODUCTS (6.70% of net assets)		
Abitibi Paper Co. Ltd.	40,000	\$ 395,000
Columbia Cellulose Co. Ltd. \$1.20 Conv. Pref.	10,000	187,500
Great Lakes Paper Co. Ltd.	6,000	136,500
MacLaren Power & Paper Co., Class "B"	6,000	136,500
MacMillan, Bloedel Ltd.	15,000	348,750
Price Company Limited	9,000	110,250
		<u>\$ 1,314,500</u>
PETROLEUM AND PIPELINES (6.48% of net assets)		
Interprovincial Pipe Line Co.	7,000	\$ 593,250
Standard Oil Co. (N.J.)	2,000	136,350
Supertest Petroleum Corp. Ltd., ordinary	10,000	195,000
Trans-Canada Pipelines Ltd.	4,000	98,000
Trans Mountain Oil Pipe Line Co.	15,000	247,500
		<u>\$ 1,270,100</u>
PUBLIC UTILITIES (13.91% of net assets)		
Bell Telephone Company of Canada	13,000	\$ 604,500
British Columbia Telephone Company	12,000	759,000
Consumers' Gas Co.	30,000	461,250
Great Lakes Power Corp. Limited	15,000	337,500
International Utilities Corporation	10,000	250,000
Union Gas Co. of Canada Ltd.	30,000	315,000
		<u>\$ 2,727,250</u>

COMMON STOCKS (Continued)

	Number of Shares	Market Value
TRANSPORTATION (4.17% of net assets)		
Canadian Pacific Railway Co.	8,000	\$ 438,000
The Overland Express Limited, 60¢ Cum. Conv. Pref.	10,000	93,750
Pennsylvania Railroad Co.	5,000	285,525
		<u>\$ 817,275</u>
MISCELLANEOUS (2.12% of net assets)		
Southam Press Ltd.	10,500	337,312
Sundry Securities		77,351
		<u>\$ 408,663</u>
TOTAL COMMON AND CONVERTIBLE PREFERRED SHARES		<u>\$19,125,920</u>

SUMMARY

	Market Value Dec. 31, 1966	Percentage of Net Assets at December 31	
		1966	1965
BONDS AND DEBENTURES	\$ 537,280	2.74%	3.38%
COMMON AND CONVERTIBLE PREFERRED SHARES			
Banks	\$ 1,981,925	10.10%	10.69%
Entertainment	1,087,000	5.54	2.34
Financial	714,200	3.64	3.85
Food and Beverage	1,852,000	9.44	10.58
General Manufacturing	2,246,407	11.45	9.55
Heavy Industry	1,302,100	6.64	8.15
Merchandising	358,250	1.83	1.97
Metals and Mining	3,040,250	15.50	16.46
Paper and Forest Products	1,314,500	6.70	7.27
Petroleum and Pipelines	1,270,100	6.48	5.60
Public Utilities	2,727,250	13.91	15.27
Transportation	817,275	4.17	2.38
Miscellaneous	408,663	2.12	2.76
	<u>\$19,125,920</u>	<u>97.52%</u>	<u>96.87%</u>
TOTAL INVESTMENTS	\$19,663,200	100.26	100.25
Cash in bank, etc., net	(50,094)	(.26)	(.25)
TOTAL NET ASSETS	<u>\$19,613,106</u>	<u>100.00%</u>	<u>100.00%</u>

ECONOMIC INVESTMENT TRUST LIMITED

Ten-Year Financial Summary

Year Ending Dec. 31	Gross Income	Bond and Debenture Interest	Expenses	Income Taxes	Net Income	Total Net Assets	Funded Debt and Preferred Shares†	Available for Common Shares	Common Shares* Outstanding	Asset Value per Common Share*
1957	\$408,851	\$98,220	\$34,875	\$ 8,300	\$267,456	\$ 8,299,029	\$2,940,000	\$ 5,359,029	\$ 757,500	\$ 7.01
1958	383,929	97,600	31,084	10,500	244,745	10,803,061	2,940,000	7,863,061	757,500	10.32
1959	398,300	97,400	34,307	16,000	250,593	11,125,566	2,920,000	8,205,566	760,000	10.72
1960	431,706	95,955	38,137	18,000	279,614	11,462,158	2,902,500	8,559,658	762,185	11.19
1961	489,840	84,910	36,670	20,000	348,260	15,222,286	2,509,500	12,712,786	969,855	13.09
1962	548,028	65,025	42,276	13,000	427,727	15,959,654	4,100,000	11,859,654	1,032,940	11.48
1963	614,170	60,000	44,780	14,000	495,390	17,633,299	4,100,000	13,533,299	1,032,940	13.10
1964	678,595	—	51,437	11,000	616,158	20,955,088	5,250,000	15,705,088	1,032,940	15.20
1965	762,143	—	50,255	8,000	703,888	21,897,735	5,250,000	16,647,735	1,032,940	16.12
1966	800,963	—	50,241	13,500	737,222	19,613,106	5,250,000	14,363,106	1,032,940	13.91

* Adjusted for 5-for-1 split in April 1963

† Preferred Shares at redemption price of \$52.50 per share.

